

**Department of Workforce Development  
Division of Workforce Solutions**

**Financial Policy**

**Applies to:** W-2 Contract Agencies

**Issue Date:** 06/26/2006

**Topic:** W-2 and Related Programs Subcontracts

**Purpose:** This policy defines when a subcontract is required for a service included in the Wisconsin Works (W-2) and Related Programs Contract (W-2 Contract).

**A. Definitions**

1. Wisconsin Works (W-2) Contract Agency - The agency that has entered into a Wisconsin Works (W-2) and Related Programs Contract with the State of Wisconsin Department of Workforce Development, Division of Workforce Solutions for a specified period of time. For purposes of this policy, the W-2 Contract agency must be under contract for Wisconsin Works (W-2) and Related Programs.
2. Subcontract - A written document between the W-2 Contract agency and some other entity for the provision of some or all of the services included in the Wisconsin Works (W-2) and Related Programs Contract for payment.
3. Entity - For the purposes of this policy, an entity is the individual or business firm that supplies the service(s) included in the Wisconsin Works (W-2) and Related Programs Contract.
4. Vendor - For the purposes of this policy, a vendor provides supplies, goods or services that are not specifically developed for the W-2 program. For the purposes of this policy, an entity that provides programmatic services that are developed for the W-2 program is not a vendor.
5. Subcontractor - An individual or business entity contracting to perform part or all of the W-2 program services required under the W-2 Contract agency's Contract.
6. Memorandum of Understanding (MOU) - A written document outlining the terms of the agreement, transaction, or contact, between the parties.
7. Lead Agency - The agency within a W-2 consortium that is issued the Wisconsin Works (W-2) and Related Programs Contract and that is designated as the point of contact and is accountable for the entire consortium.
8. Preferred Provider Registry - This Registry is a list of providers selected, by the Department, to provide specific services for Milwaukee W-2 program participants, in accordance with the Department's instructions on this process, which are found at: [http://dwd.wisconsin.gov/dws/w2/rfs/resourceguide/preferred\\_provider/default.htm](http://dwd.wisconsin.gov/dws/w2/rfs/resourceguide/preferred_provider/default.htm)
9. Non-W-2 Program Services - Services such as, but not limited to, building maintenance, cleaning, snow removal, and landscape maintenance.

**B. General Requirements**

The W-2 Contract agency may subcontract for some or all of the services included in the W-2 Contract.

In order for the W-2 Contract agency to comply with the Department's policies and procedures to issue payment to an entity for services included in the Contract, a subcontract, approved by the Department's Contract Manager, is required if the total amount of the service(s) is \$10,000 or greater for a twelve (12) month period. The W-2 Contract agency shall not make serial purchases to avoid this policy.

A Preferred Provider, who provides W-2 programmatic services outside of the Preferred Provider service category, is not precluded from becoming a subcontractor for a W-2 Contract agency.

When the W-2 Contract agency enters into a subcontract, the W-2 Contract agency remains responsible for the provisions of all the W-2 and Related Programs services.

All of the rules of reimbursement regarding acceptable invoicing and payment practices apply to subcontracting. The Department may perform random audits and/or on-site monitoring, and will scrutinize expenditures to make sure public funds are used only for W-2 purposes.

All subcontracts awarded by the W-2 Contract agency must be consistent with the W-2 Contract agency's obligations under the W-2 and Related Programs Contract. Subcontractors may also subcontract; the rules for subcontracts apply to all levels of subcontractor, unless specified otherwise and approved by the Department. The W-2 Contract agency is responsible for all subcontract performance.

The W-2 Contract agency is required to follow the procurement policies and procedures governing its agency, and to be consistent with the Department's policies and procedures. The W-2 Contract agency must retain documentation of all purchases and subcontracts for future monitoring or audit for a period of not less than three (3) years after the final payment under the W-2 Contract has been made.

To the extent the Wisconsin Department of Administration (DOA) makes procurement bulletins available to other units of government, the vendors listed on those bulletins may be used and accordingly the W-2 Contract agency is not required to obtain bids.

### **C. When a Subcontract is Required**

A subcontract is required when the entity asked to deliver services is doing what the W-2 Contract agency is required to do under its W-2 Contract, except in the Preferred Provider process, or when the total amount of W-2 services purchased is less than \$10,000, for a twelve (12) month period, or when the same services is available to the general public. The services that require a subcontract have a direct connection to the purpose of the W-2 program and involve job placement, education, training and other W-2 Contract services that are specifically made available for W-2 and Related Programs.

For example, if an entity provides training for the W-2 Contract agency, something the W-2 Contract agency is required to do by its W-2 Contract,

the entity providing that service for the W-2 Contract agency must do so under a subcontract.

Another example, a subcontract is required if the W-2 Contract agency asks the local technical college to create and provide a course specifically for W-2 and Related Programs participants.

The subcontract requirement also applies to payment arrangements between a consortium lead agency and the agency/agencies within the consortium.

#### **D. When a Subcontract is Not Required**

A subcontract is not required when the W-2 Contract agency is purchasing items needed to operate its business or purchasing supplies, goods or non-W-2 programmatic services on behalf of the W-2 Contract agency's participants.

A subcontract is not required if the total costs of the W-2 services purchased is \$10,000 or less for a twelve (12) month period.

In addition, a subcontract is not required when the W-2 services are purchased through the Milwaukee Preferred Provider Registry or are services available to the general public. If a Preferred Provider and a W-2 Contract agency wish to enter into a subcontract, in order to arrange for a service to be provided for a specific period of time and/or a certain number of services to be provided, the subcontract policy must be followed.

For example, a W-2 Contract agency is not required to issue a subcontract when purchasing car repairs, providing for taxi rides, purchasing cleaning services or providing a participant's security deposit to a landlord.

Another example, a subcontract is not required if the local technical college provides a certain class to the general public and W-2 and Related Programs participants are also enrolled.

#### **E. Model W-2 Subcontract**

A subcontract must be a written document signed by the W-2 Contract agency and the subcontract entity. The documentation for payment of services provided by another entity shall be regarded as a subcontract arrangement, regardless of the document's title. The W-2 Contract agency is required to either use the model W-2 subcontract (See Attachment A, Model W-2 Subcontract.) or a subcontract that contains all of the elements listed below. (See DWS Administrator's Memo 03-18 W-2 Purchase of Service/Subcontracting with Job Service for a model subcontract for Job Service.)

More information on the requirements listed below are found in the Wisconsin Works (W-2) and Related Programs Contract and/or its incorporated documents.

- A statement that the subcontractor will comply with the applicable terms and conditions of the Wisconsin Works (W-2) and Related Programs Contract;
- A description of the services to be provided that are consistent with the agency's W-2 Plan, the budget for these services, including a per unit cost, the number of individuals to be served and the timeframe for the provision of the services;

- A description of the invoicing and payment procedures;
- A statement of compliance with the state's indemnity and insurance requirements, including workers compensation insurance;
- An Assurance of Civil Rights Compliance (Attachment G) signed by the W-2 Contract Agency and the Provider.
- A statement that applicable terms and conditions of the Wisconsin Works (W-2) and Related Programs Contract apply to all further subcontracting;
- A statement that faith-based contracting may not be prohibited, if further subcontracting is allowed by the subcontract;
- A description of the process for renegotiation, revision, extension, or termination;
- A description of the dispute resolution requirements;
- A description of record maintenance, availability, retention and confidentiality requirements;
- A description of all reporting requirements;
- A statement of compliance with the Department's Information Technology network security standards;
- A statement of compliance with the annual audit requirement;
- A description of the performance measures that will be used by the W-2 Contract agency to monitor the subcontractor's performance; and
- All of the required forms (See section H below) must be signed, dated and attached.

#### **F. Amendment or Extension of a Subcontract**

##### **1. Extension of a Subcontract**

Subcontracts may be amended to extend the time period of the subcontract. If a subcontract period is extended, all of the original terms and conditions of the subcontract remain in effect during the extension, with two exceptions: the number of participants served and/or the budget also may be amended. The extension and changes, if any, to the number of participants served and/or the budget/costs must be agreed upon by the parties in writing. A model amendment for extending a subcontract is attached. (See Attachment B, Model Amendment.) The W-2 Contract agency must submit the extension (and amendments to number served and/or budget, if any) to the DWD Contract Manager for approval.

##### **2. Amendment(s) of a Subcontract without Extension**

Any terms and conditions of a subcontract may be amended without extending the time period of the subcontract if the amendment(s) are agreed upon by the parties in

writing. A model amendment for amending a subcontract is attached. (See Attachment B, Model Amendment) The W-2 Contract agency must submit the amendment(s) to the DWD Contract Manager for review.

## **G. Procedures**

1. The W-2 Contract agency must submit a copy of all signed subcontracts, which have a material impact on the W-2 Program, to DWD's Contract Manager within fifteen (15) business days after the date of the final signature on the subcontract. The DWD Contract Manager will acknowledge the receipt of the subcontract(s) within five (5) business days.
2. The DWD Contract Manager reviews the subcontract content to assure the subcontract meets the requirements set forth in this policy. This review will determine if all of the required conditions and components contained in the Model W-2 Subcontract have been met.

If the subcontract is incomplete or does not meet the requirements set forth in this policy, the Department's Contract Manager will return the subcontract to the W-2 Contract agency noting the area(s) in which the subcontract is deficient. The W-2 Contract agency must resubmit a copy of the signed revised completed subcontract to DWD's Contract Manager within twenty (20) business days of signing the revised completed subcontract.

3. The W-2 Contract agency is responsible for all service delivery costs incurred before DWD's Contract Manager issues a notice of subcontract approval. If there are costs incurred prior to the signing of the complete subcontract, the W-2 Contract agency must request, in writing, approval of the costs from the DWD Contract Manager. The W-2 Contract agency must document the reason(s) why the costs were incurred including the amount of costs involved prior to signing of the subcontract in order to claim reimbursement.
4. If the W-2 Contract agency plans to use a related party in the provision of services under the Wisconsin Works (W-2) and Related Programs Contract, the W-2 Contract agency agrees to comply with the DWD's policies and procedures concerning related party transactions. A related party transaction is defined on the following DWD website: <http://www.dhfs.state.wi.us/grants/Administration/ACPM.htm> (Under W-2 Specific, Allowable Cost Policy)
5. The W-2 Contract agency shall not discriminate against an entity that is or applies to be a subcontractor on the basis that the entity has a religious character. The W-2 Contract agency shall not require the faith-based entity to alter its definition, development, practice or expression of its religious beliefs, nor shall it require the entity to alter its internal governance or remove religious art or any other expression of its religious belief in order to enter into a subcontract with or be awarded a subcontract from the W-2 Contract agency.

The W-2 Contract agency shall not discriminate against any W-2 or Related Programs applicant or participant on the basis of religious or lack of religious belief. Therefore, if the W-2 Contract agency subcontracts with a faith-based entity to provide any services to participants covered by the Wisconsin Works (W-2) and Related Programs Contract, the W-2 Contract agency must make available within a reasonable time an alternate provider of the same services, worth the same value, to any participant who objects to

the religious character of the organization or institution from which the participant would receive or is receiving the service.

6. The W-2 Contract agency is encouraged to subcontract with state certified Minority Business Enterprises (MBEs).
7. The W-2 Contract agency must routinely monitor the quality of service their participants receive under subcontracts.
8. The W-2 Contract agency must provide a list of all current subcontracts to DWD's Contract Manager within ten (10) business days after each calendar quarter of the Wisconsin Works (W-2) and Related Programs Contract period. This listing must include all of the elements contained in the "W-2 Subcontract Log" form that is attached to this memo (See Attachment C, W-2 Subcontract Log Instructions).
9. The reviews by DWD of the W-2 Contract agency may include how the W-2 Contract agency monitors its subcontracts and subcontractors and the W-2 Contract agency's receipt of annual audit reports from subcontractors.

#### **H. Required Forms/Attachments**

1. The W-2 Contract agencies must include the following forms in any subcontract using any W-2 funding and must obtain completed and signed copies from subcontractors:
  - a. Subcontractor Agency Identification Form (Attachment D);
  - b. Lobbying Disclosure [2 forms - (1) Certification Regarding Lobbying and (2) Disclosure of Lobbying Activities (with Continuation Sheet and Instructions)] These forms are located in the DWD Internet Forms Repository.
  - c. Affidavit of Fair Competition for Subcontractors (Attachment E);
  - d. Debarment (Certification regarding Debarment and Suspension). This form is located in the DWD Internet Forms Repository.
  - e. Employee Bonus Form (Attachment F). The subcontractor must attach a copy of their policy on employee bonuses; and
  - f. Assurance of Civil Rights Compliance form (Attachment G) (to be signed by the W-2 Contract Agency and the Subcontract Agency/Entity).